



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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December 28, 1993

CERTIFIED RETURN RECEIPT
P 074 978 884

Mr. Neal J. Mortensen
Western Clay Company
P.O. Box 127
508 East Center
Aurora, Utah 84620

Re: Expired Letters of Credit, Western Clay Company, Bentonite Clay Pit and Limestone Quarry, M/041/012 and M/041/004, Sevier County, Utah.

Dear Mr. Mortensen:

It has come to our attention that the letters of credit, posted with the Division of State Land and Forestry (DSLRF) as reclamation surety for Western Clay Company's bentonite clay and limestone mining operations, have expired. These letters of credit covered mining operations being conducted under Utah State Mineral Lease Numbers: ML1937 and ML29434.

It is our understanding that Western Clay Company has allowed these sureties to expire in the past. The Utah Mined Land Reclamation Act requires an operator to maintain surety at all times for a permitted mining operation. Failure to do so, may result in the issuance of an order from the Division or Board of Oil, Gas and Mining, revoking permit approval and requiring immediate cessation of all mining activities.

An acceptable form and amount of reclamation surety are required by rule R647-4-113. The Utah Mined Land Reclamation Act of 1975 (the Act), Title 40-8-16(2)(b) asserts approval of a mining permit may be withdrawn in the event that the operator fails to provide and maintain the required surety. Furthermore, Title 40-8-16(4) states:

"In the event that the division or the board withdraws approval of a notice of intention or its revision, all mining operations included under the notice shall be suspended in accordance with procedures and schedule approved by the division."



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Mr. Neal J. Mortensen

M/041/012

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You are hereby advised to take immediate actions to acquire and post replacement sureties for the referenced mining operations. The Act does not contain a provision allowing a large mining operation to continue operations without an effective reclamation surety in place.

Acceptable forms under the Act may include, but are not limited to, the following:

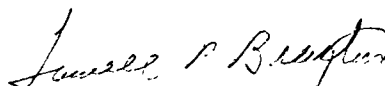
- a) Corporate surety bond;
- b) Federally-insured certificate of deposit;
- c) Irrevocable letter of credit (without an expiration); and
- d) Escrow accounts.

The final decision regarding the form of reclamation surety will be made in cooperation with the Division of State Lands and Forestry. If possible, we request that the surety be made out jointly in the names of both the DSLF and the Division of Oil, Gas and Mining.

This office will be scheduling a re-evaluation of the existing reclamation surety dollar amounts, to determine their adequacy and accuracy during 1994. Division policy calls for a surety review every 5 years. The existing surety estimates will be recalculated to reflect 1994 dollars, then escalated 5-years forward to 1999 dollars. An onsite inspection to evaluate current mining-related conditions will be scheduled as part of this process. We anticipate contacting you to schedule a convenient time to perform our inspection, sometime during the first quarter of 1994.

Please contact me, or D. Wayne Hedberg of the Minerals program staff, should you have questions regarding the requirements outlined in this letter. Please contact us with your plans and anticipated schedule for posting the replacement sureties. Thank you for your cooperation and immediate attention to this matter.

Sincerely,



Lowell P. Braxton
Associate Director, Mining

jb

cc: Jerry W. Mansfield, State Lands and Forestry
Wayne Hedberg, DOGM
Minerals File

M041012.exp